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FIRST COUNTRY COOPERATION FRAMEWORK FOR ROMANIA (1997-1999)

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INTRODUCTION

1. UNDP has been providing technical cooperation to Romania since 1971. The fifth country programme for the period 1993-1996 (DP/CP/ROM/5) was the subject of a mid-term review in April 1995, a report on which may be found in document DP/1996/12/Add.5. The present country cooperation framework (CCF) outlines UNDP technical cooperation for the period 1997-1999, with the understanding that the areas of focus could have a longer-term time horizon, subject to the future priorities of the new Government, which was elected in November 1996. The three-year time-frame is also designed to facilitate current efforts towards the harmonization of programme cooperation with other Joint Consultative Group on Policy partner agencies, particularly the United Nations Children's Fund (UNICEF) and the United Nations Population Fund (UNFPA), from the year 2000 onwards. The first CCF is based on an ongoing dialogue with the Government, United Nations agencies and donors, as well as the recommendations in the UNDP advisory note, prepared in November 1996. It is conceived of as being an initial input into the preparation of a country strategy note for United Nations system cooperation.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

2. Over the past six years, Romania's human development index has decreased modestly, dropping from 0.762 in 1991 to 0.738 in 1996, including a significant decline to 0.703 in 1995. In the same period, Romania dropped from 58th to 74th in its global human development rank. Since the fall of the former Government in 1989, the country has been undergoing a gradual process of economic and social change. On the one hand, the transition to a market economy has been accompanied by problems of adjustment, including high social costs, unemployment and inflation. On the other hand, the liberalization of the economy, by encouraging the development of the private sector, has initiated a longer-term process of growth and has attracted foreign investment. At the same time, the democratization process has expanded civil liberties and participation by civil society.

3. In the area of poverty reduction, the social dislocation resulting from the transition to a market economy has overwhelmed the current social protection system, which was designed for full employment. As a result, there has been a dramatic reduction in social expenditures and welfare benefits and an increase in the number of people living at the poverty level. To compensate, economic growth is required to generate income and employment, as well as new social safety net mechanisms for the most vulnerable.

4. With regard to employment and sustainable livelihoods, one of the negative effects of the transition has been the increase in the unemployment rate, which has risen from 3.0 per cent (337,400 people) in 1991 to 11.5 per cent (1,291,300 people) in 1994, 57 per cent of whom are women and 44 per cent of whom are youth under 25 years of age.

5. Gender issues are a particular concern. Women constitute 51 per cent (12 million) of the population of 22 million, and their life expectancy

(73 years) is much greater than that of men (66 years). In terms of employment, according to 1992 data, 40 per cent of women are economically active, compared to 52 per cent of men (1992). In terms of involvement in the private sector, approximately 20 per cent of business associates and company managers are women. However, as noted in the Romanian Human Development Report 1995, the situation of women is deteriorating in terms of employment and political representation. Moreover, the pressures of the difficult economic situation have had a negative impact on women and have contributed to a rise in domestic violence.

6. Environmental regeneration is also an important issue for the Government. The Romanian Human Development Report 1995 identifies a number of environmental problems in the country, such as pollution from waste water; air pollution; damage to forest areas from the emission of toxic substances by industries, many of which are located in neighbouring countries; and the deterioration of soil quality, owing to the use of chemical fertilizers and pesticides and improper irrigation. Furthermore, health risks have increased due to exposure to toxic waste. On the positive side, the Report cites the establishment of protected areas, including the Danube Delta Biosphere Reservation, bringing the total number of such reserves in Romania to 534 in 1993.

7. The reform and strengthening of governing institutions will be a particular concern to the new Government. While substantial progress has been made since the 1989 revolution in strengthening Romania's democratic institutions, including through a broadening of instruments for popular participation, namely non-governmental and civil society organizations, further changes are necessary, in order to provide the necessary political, economic and social environment for future growth. Romania is also preparing for accession to the European Union and a strategy formulated in mid-1995 is now being implemented.

II. RESULTS AND LESSONS OF PAST COOPERATION

8. The 1993-1996 country programme concentrated on three areas: human resources development, privatization, and protection of the environment and energy conservation. The April 1995 mid-term review of the fifth country programme noted many positive results in the three areas of concentration. In the area of human resources development, according to the mid-term review, among the main results were those relating to the retraining of some 3,500 managers of existing enterprises per year during the period 1992-1994, in order that they might acquire the skills required in a market economy. Linked to this process was the use of a small number of Romanian expatriate specialists, recruited through the Transfer of Knowledge through Expatriate Nationals modality. With cost-sharing from the Government of France, UNDP also helped to introduce quality assurance practices in Romanian businesses.

9. In the area of privatization, UNDP helped the National Agency for Privatization to establish the process by which to privatize and restructure Romanian public companies. The promotion of small- and medium-scale enterprises was also a major feature of UNDP support. The success of the latter effort, through the establishment of a network of 15 business centres, has led to its expansion on a regional scale to cover 10 countries, with its trained national

staff now providing assistance in Albania, Kazakstan and the Republic of Moldova, and possibly to Bulgaria in the future. At the same time, a new phase of the national small- and medium-scale enterprise project will focus on providing support for the restructuring of former state enterprises.

10. In the area of protection of the environment and energy conservation, a start has been made on addressing energy conservation issues relating to 14 heavily industrialized and populated areas, where the introduction of environmentally clean technologies will be pursued, mainly through support from the Global Environment Facility (GEF).

11. In other areas, UNDP/the United Nations Conference on Trade and Development (UNCTAD) assisted in the introduction of improved customs procedures, through the computerization of customs declarations under the Automated System for Customs Declaration and Administration (ASYCUDA). With co-funding from the United States Agency for International Development, UNDP helped the Government to streamline customs and other formalities at the Romania/Bulgaria border. At the same time, support was provided for export promotion, co-funded by the Government of France. Through a women-in-development project, UNDP assisted in the establishment of a policy unit and advocacy group for promoting women's participation in policy design and civil society, and worked with representatives of non-governmental organizations (NGOs) and international projects to promote gender sensitization, skills acquisition and women's entrepreneurship. In addition, UNDP funded the preparation by national specialists of the 1995 and 1996 national human development reports, which have brought together valuable information and insights into certain trends relating to human development.

12. In financial terms, in addition to its indicative planning figure of $1.6 million and $0.5 million from Special Programme Resources, UNDP helped to mobilize $3.0 million in cost-sharing contributions. Cost-sharing included contributions from the Government of the Netherlands ($1.5 million), the United States of America ($482,000), France ($238,000), the United Kingdom of Great Britain and Northern Ireland ($238,000) and Canada ($50,000), for projects on small- and medium-scale enterprises/private sector development, energy management, the environment, women in development, and rehabilitation of border checkpoints.

13. In terms of collaboration and coordination with United Nations agencies, the mid-term review highlighted positive cooperation with UNFPA in the implementation of some national projects, and increasing cooperation with UNICEF in areas such as gender in development. The administrative and logistical support of the UNDP country office should also be mentioned. The mid-term review noted progress made in the use of new support cost arrangements, but also highlighted the difficulties experienced and the need for further experience and training.

14. Despite limited resources, the experience gained in the fifth country programme affirmed that UNDP assistance can have a major impact, if focused on strategic areas and linked to areas of interest to other donors. National human development reports raised awareness of the human dimension of development.

Projects based on national capacity-building led to the development of cost-effective, sustainable expertise and methods. A good example is the successful national small- and medium-scale enterprise project, the value of which was recognized by the Government, the private sector and donors. Moreover, that project has now been replicated on a regional scale. In addition, it was found that small projects were effective means by which to respond to specific government priorities not covered by other donors.

III. PROPOSED STRATEGY AND THEMATIC AREAS

15. In addition to the substantive targets established for each area, UNDP development cooperation under the first CCF has been designed so that the organization's comparative advantages in facilitating the development process can add value and produce significant multiplier effects with limited resources. UNDP support will be linked as far as possible to support for national programmes. The country office will provide support facilities and assistance in coordination, including through the receipt of cost-sharing resources for the implementation of World Bank and other loans. UNDP will also assist in the formulation of national programmes, as necessary, especially to facilitate resource mobilization and donor coordination. Regional networking will be promoted, through the six regional projects on governance, poverty reduction, small- and medium-scale enterprises, gender in development, the environment, and external resources management. Advocacy efforts will concentrate on mainstreaming cross-sectoral issues such as gender, the environment, capacity-building, and poverty alleviation. National capacity-building will be a major focus of all activities, in order to enable Romania to make fuller use of its economic, social and human resources potential.

16. Subject to the availability of resources, UNDP assistance is envisaged in the following areas: governance and European integration; poverty reduction and the promotion of sustainable livelihoods; and the promotion of environmental and natural resources sustainablility.

A. Support to governance and European integration

17. UNDP support is envisaged for a number of ongoing or potential national programmes, including support for the formulation of such programmes, particularly in terms of prioritizing needs, mobilizing resources and donor coordination in areas relating to governance, including those outlined below.

18. Governance. In the context of preparing for and following up the proposed International Conference for New or Restored Democracies in September 1997, and, depending on the priorities of the new Government, in undertaking reforms in the area of governance, UNDP support may be required to elaborate one or several national programmes, taking advantage of the experience gained in neighbouring countries, and to mobilize the necessary resources, including through cost-sharing. Programmes may cover a variety of aspects in areas such as the strengthening of the legislature; the judiciary; central, regional and local governments; and public administration.

19. Capacity-building for European integration. In the context of preparing for accession to the European Union, attention will be paid to the strengthening of national capacities in certain areas of UNDP intervention, in order to facilitate the country's efforts to gain access to and derive full benefit from future membership. It is recognized that while the primary responsibility for preparation for accession lies with the Government and the European Union, complementary support from UNDP may be desirable, as is the case in the area of customs computerization and administration. Eventual support in the area of trade promotion may also be relevant.

20. Human development analysis and capacity-building. Romania's 1995 and 1996 national human development reports have provided a valuable source of additional information for national authorities, civil society and donors. The fact that these reports have been prepared by national specialists has provided an opportunity for Romanians to make substantive contributions to policy debates, and to ensure that the human factor is fully reflected in future socio-economic choices. Continued UNDP support is envisaged for the preparation of national human development reports, and to contribute to establishing a core of human development analysts, who will be able to ensure that the information gathered is reflected in national policy dialogue and strategic planning work.

21. External resources management. In order to strengthen the Government's capacity in the mobilization, coordination, and monitoring of external resources, particularly from the United Nations system, support for the Ministry of Foreign Affairs is envisaged. Another aim of this support will be to strengthen the Ministry of Foreign Affair's links with the central government coordinating agency, the Department for European Integration, which is assisted by the European Union. Furthermore, it is proposed to draw on the regional external resources management project, to provide selected inputs. UNDP support will strengthen the database and information flow on external resources, particularly resources from the United Nations system.

22. Information exchange on the Internet. Given the importance of the latest communications technology, UNDP supports the Government's interest in introducing Internet facilities as a means of strengthening information exchange between Romanian and other users, and at the same time, using this information in the development process. UNDP support will establish and strengthen the appropriate institutional structures of the Ministry of Research and Technology, linking them with the database of the UNDP Sustainable Development Network.

B. Poverty reduction and the promotion of sustainable livelihoods

23. Poverty alleviation. UNDP will advocate and provide support for the formulation and implementation of a poverty alleviation strategy and programme, based on appropriate macroeconomic policy measures, incentives for private sector development, and the establishment of pilot projects and appropriate social safety nets. Particular emphasis will be placed on alleviating the poverty of women. The involvement of other United Nations agencies is foreseen, particularly the World Bank, UNICEF, UNFPA, the International Labour Organisation, the United Nations Industrial Development Organization (UNIDO) and the World Health Organization. Linkages with the Soros Foundation, national and

international NGOs, local governments and the private sector are also envisaged. Monitoring of support in the area of poverty alleviation will be linked to support for human development analysis and capacity-building (see para. 20 above).

24. Social safety nets. Given the importance of social safety nets (e.g., pensions, unemployment and family benefits, etc.) for between 10 to 20 per cent of the Romanian population, and particularly for women, and the difficulties of implementing a number of World Bank loans approved for this purpose, UNDP will work with the Social Security authorities and other involved donors, in the management of the safety net programme, which will provide services financed largely through cost-sharing, notably from World Bank loans. The positive experience of UNDP in cost-sharing from World Bank and other loans in Latin America may eventually be applied in the context of Romania.

25. Women and gender equity. UNDP will continue to support the Women's Unit in the Ministry of Labour and Social Protection in advocating and monitoring the mainstreaming of gender considerations in all areas of economic and social development, and in particular, in addressing issues relating to the increasing level of poverty among women. The Women's Unit has already organized public awareness seminars and prepared documentation for the preparation and follow-up to the Fourth World Conference on Women. It has also promoted support for female entrepreneurs in small- and medium-scale enterprises. Further activities and workshops are foreseen, including one on women and violence. At the same time, care will be taken to ensure that all UNDP-assisted projects are used as vehicles for promoting gender equity in their respective areas.

26. Small- and medium-scale enterprises and an enterprise restructuring. One of the examples of significant success in the fifth country programme was UNDP/UNIDO support for the promotion of small- and medium-scale enterprises, the establishment of 15 business centres, and the training of a core of 15 Romanian specialists to provide advice not only for Romanian small- and medium-scale enterprises but also for those in other countries. The ongoing UNDP support to the national small- and medium-scale enterprise project will be continued under a new regional small- and medium-scale enterprise project. A new service to provide micro-credit to small enterprises is also envisaged, with particular attention to those run by women. UNDP will also provide support for a future enterprise restructuring programme, to assist recently privatized enterprises (of which there are some 1,175, employing an estimated 350,000 people), by helping to restructure and strengthen management capacity, enhance efficiency, save jobs, and retrain workforces. Cost-sharing from the Government of the Netherlands and the World Bank is under discussion, and it is planned to share experience and work closely with other donors supporting small- and medium-scale enterprises, notably the European Union's Poland and Hungary Aid for the Reconstruction of the Economy (PHARE) programme, the British Know-How Fund, and the Government of Germany.

27. Trade promotion. The development of Romania's export capacity is essential if the country is to take advantage of European and other markets to increase production and trade, as well as employment and incomes. Increased export capacity will also increase government revenues, thus promoting self-sufficiency

and the ability of the Government to pay for social and other programmes. Two sub-programmes will be assisted: (a) a trade information services programme, linked to the Romanian Foreign Trade Centre, with cost-sharing from the Government of Switzerland; and (b) a customs administration and management programme, in cooperation with UNCTAD and the British Know-How Fund, to consolidate the introduction of ASYCUDA, thereby improving revenue collection and reducing losses. Support is also envisaged for the improvement of the design and marketing of Romanian manufactured goods, so that they will be competitive in markets abroad. In addition, UNDP assistance has been requested for the strengthening of the national system for the protection of intellectual property rights. Support for trade promotion will be closely linked to capacity-building for European integration (see para. 19 above).

C. Promotion of environmental and natural resources sustainability

28. Disaster mitigation. Romania suffers from periodic floods, droughts and other natural disasters. In order to diminish their adverse consequences, with Special Programme Resources, UNDP has supported the strengthening of the national structures for disaster mitigation, including in the area of the coordination of information. A similar project is envisaged under the first CCF, to strengthen the national flood early warning system. Both projects may eventually contribute to a national programme for disaster mitigation.

29. Energy efficiency and management. Support is needed to address the problems of pollution in 14 industrial complexes. In addition, the cost of imported energy and the need to improve energy management is a continuous concern. As a result, support for the Training, Information and Dissemination Centre for Energy Management will be continued, linked to support ($2.2 million from GEF) for the National Programme for Energy Efficiency Improvement and Greenhouse Gas Reduction, which is co-financed by the European Union's PHARE programme and the Government of France.

30. Regional environment programmes. Through UNDP, GEF has been providing support for the two regional programmes in which Romania is participating, namely, the Danube River Environmental Programme and the Black Sea Environmental Programme. For the former project, support includes the costs of a government programme management unit, which is responsible for ensuring that Romania fulfils its responsibilities under regional environmental conventions. UNDP will provide limited additional support to these GEF-financed activities.

31. Small grants projects. UNDP has been supporting a number of small projects relating to the environment, both through the GEF-financed Danube River Environmental Programme, as well as through the UNDP-financed Partners-in-Development Programme. In view of the positive experience of these projects and their high impact, support from the GEF Small Grants Programme may be requested.

IV. MANAGEMENT ARRANGEMENTS

Execution and implementation

32. National execution will continue to be the principal modality for executing UNDP-assisted projects in Romania, although the services of United Nations specialized agencies for certain projects may be required. Further training on the administrative modalities for national execution will be provided as necessary. Furthermore, it is planned to use the programme approach more systematically in project design and implementation, linking UNDP support more closely to the formulation and/or implementation of national programmes, thereby facilitating donor coordination and resource mobilization in support of common objectives.

Monitoring, review and reporting

33. All projects will be subject to standard UNDP monitoring and evaluation procedures, including progress and technical reports, meetings and visits. Particular attention will be paid to establishing benchmarks and success criteria for national programmes and UNDP and other support.

Coordination

34. The United Nations Resident Coordinator and the UNDP country office will play a more active role in coordination, by supporting the Government's own efforts in this area, and by working closely with the European Union, which has the responsibility for assisting with donor coordination.

Resource mobilization

35. In view of the limited UNDP resources available, particular attention will be paid to mobilizing additional resources to support the achievement of national programme objectives, particularly through the cost-sharing mechanism. Cost-sharing resources will be focused on those areas of particular interest to the department and donor(s) concerned, and UNDP may need to focus its support on those areas with the best possibilities for resource mobilization. The annex to the present document shows tentative cost-sharing requirements of $8.0 million, which should be complemented by between $2 and $7 million of GEF funding. With respect to government cost-sharing, it is proposed that the Government, or each beneficiary department, make a matching contribution to the UNDP budget, which could be financed through grants and loans from other donors.

Public information and media strategy

36. Another important function of the UNDP country office and of the United Nations Information Office, of which the Resident Representative is Director, is the distribution of information on United Nations system-related activities and advocacy of particular themes. This role will be continued and strengthened through a deliberate and planned media strategy to build on the successful media coverage achieved during "Poverty Week" (17-24 October). UNDP intends to extend this effort through a programme entitled "Together for Progress: Making Things Happen", which brings together the United Nations system, the Government, other donors and the private sector.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR ROMANIA (1997-1999)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	129	
TRAC 1.1.1	650	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
Other resources	1 375	In line with decision 95/23, paragraph 19.
SPPD/STS	131	
Subtotal	2 285 a/	
NON-CORE FUNDS		
Government cost-sharing	2 500	Subject to confirmation on the basis of matching funds.
Sustainable development funds	2 300	
	of which:	
GEF	2 200	
Capacity 21	100	Eventual UNDP support for post-Agenda 21 follow-up.
Third-party cost-sharing	5 500	To be negotiated with donors on a project-by-project basis.
Funds, trust funds and other	-	
Subtotal	10 300	
GRAND TOTAL	12 585 a/	

a/ Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: GEF = Global Environment Facility; IPF = indicative planning figure; SPPD = support for policy and programme development; STS = support for technical services; and TRAC = target for resource assignment from the core.